

JAN 22 2015

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# A BILL FOR AN ACT

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RELATING TO THE BUDGET DOCUMENTS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1       SECTION 1. The purpose of this Act is to address the  
2 budget documents.

3       More specifically, this Act requires the six-year program  
4 and financial plan and budget to include information on pension  
5 liability and other post-employment benefits liability.

6       The legislature finds that this information is necessary to  
7 promote transparency in state budgeting and future cost.

8       SECTION 2. Section 37-62, Hawaii Revised Statutes, is  
9 amended by adding four new definitions of "annual required  
10 contribution", "funded ratio", "funding period", and "unfunded  
11 actuarial accrued liability" to be appropriately inserted and to  
12 read as follows:

13       "Annual required contribution" means the State's required  
14 contribution to the employees' retirement system or Hawaii  
15 employer-union health benefits trust fund, as applicable, that  
16 is sufficient to cover:



1       (1) The normal cost, which is the cost of other post-  
2       employment benefits attributable to the current year  
3       of service; and

4       (2) An amortization payment, which is a catch-up payment  
5       for past service costs to fund the unfunded actuarial  
6       accrued liability over the next thirty years.

7       "Funded ratio" means the ratio of net assets to net  
8       liabilities of the employees' retirement system or Hawaii  
9       employer-union health benefits trust fund, as applicable, as  
10      determined by actuarial valuation.

11      "Funding period" means the number of years in the future  
12      that will be required to fully fund the unfunded actuarial  
13      accrued liability of the employees' retirement system or Hawaii  
14      employer-union health benefits trust fund, as applicable, based  
15      upon actuarial assumptions and no assumed future actuarial gains  
16      or losses.

17      "Unfunded actuarial accrued liability" means the portion of  
18      the actuarial accrued liability, including the present value of  
19      benefits presently being paid to retirees, that exceeds the  
20      value of current assets."



SECTION 3. Section 37-69, Hawaii Revised Statutes, is amended by amending subsection (c) to read as follows:

"(c) The financial plan for the ensuing six fiscal years shall more specifically include:

(1) Economic data for the State and the counties of the following kinds:

(A) Population: Including historical, current, and projected population count; population distribution by age and sex; estimated increases and decreases, including increases and decreases by immigration;

(B) Employment: Including magnitude of labor force by age and sex; labor force participation rates; employment by age and sex; industry and occupational surpluses and shortages; effects of government programs on employment rate;

(C) Income: Including per capita and per family income; disposable income; income distribution;

(D) Wages and prices: Including wages by industry and occupational groups; prices for government procurement items; construction costs; cost of



living index; price indices for components of  
personal consumption;

(E) Industry and business trends; and

(F) Effects of national economic and financial  
policies and conditions;

(2) Brief statements disclosing the basis upon which the  
revenue estimates in the plan were made, including for  
each specific tax and nontax revenue source:

(A) The previous projections for the last completed  
fiscal year and the fiscal year in progress;

(B) The variance between the projections and the  
actual or revised estimate, and the reasons for  
the variances;

(C) Tax or source base and rates;

(D) Yield projections of existing revenue sources and  
existing taxes at authorized rates;

(E) Assumptions made and methodology used in  
projections;

(F) Changes recommended; and

(G) Projected yields if changes are adopted; etc.;



(3) At the lowest level on the state program structure,  
for each program:

(A) The total actual program cost for the last  
completed fiscal year, the estimated cost for the  
fiscal year in progress, and the estimated cost  
for each of the next six fiscal years; research  
and development, operating, and capital costs  
shall be included and the means of financing  
shall be identified. The number of personnel  
positions and all lease payments shall be shown  
for the program, identified by their means of  
financing;

(B) The program size indicators; the actual size  
attained in the last completed fiscal year, the  
estimated size for the fiscal year in progress,  
and the estimated size for each of the next six  
fiscal years; and

(C) The effectiveness measures; the actual level of  
effectiveness attained in the last completed  
fiscal year, the estimated level of effectiveness  
for the fiscal year in progress, and the



1 estimated level for each of the next six fiscal  
2 years;

3 (4) Appropriate displays of paragraph (3)(A) and (C), at  
4 every level of the state program structure above the  
5 lowest level, by the major groupings of programs  
6 encompassed within the level. The displays of  
7 [†]paragraph[†] (3)(A) shall appropriately identify  
8 the means of financing and the number of positions  
9 included in the level;

10 (5) Financial summaries displaying the State's financial  
11 condition, actual for the last completed fiscal year,  
12 and estimated for the fiscal year in progress and each  
13 of the next six fiscal years, including:

14 (A) A display of the programmed, total state  
15 expenditures, by cost categories, the total state  
16 resources anticipated from existing tax and  
17 nontax sources at existing rates, by resource  
18 categories, including the fund balance or deficit  
19 at the beginning of the fiscal year and bond  
20 receipts, and the resulting fund balance or  
21 deficit at the close of each fiscal year. Lease



1 payments in each cost category shall be stated  
2 separately; and

3 (B) The changes proposed to the existing tax and  
4 nontax rates, sources or structure, and the  
5 estimated increases or reductions in revenues,  
6 the estimated cumulative increases or reductions,  
7 and the estimated fund balance or deficit in each  
8 of the next six fiscal years as a result of such  
9 proposed changes. Proposals for changes in the  
10 existing tax and nontax rates, sources or  
11 structure shall be made in every case where the  
12 proposed, total state expenditures exceed the  
13 total resources anticipated from existing tax and  
14 nontax sources at existing rates.

15 Such financial summaries shall be prepared for the  
16 total state expenditures and resources and for the  
17 general fund and special fund portions thereof;

18 (6) A summary of the balance of each special fund, actual  
19 for the last completed fiscal year and estimated for  
20 the fiscal year in progress and estimated for each of  
21 the next six fiscal years;



1           (7) A summary of the State's total bond fund required to  
2           carry out the recommended programs and the kinds of  
3           bonds and amounts thereof through which the  
4           requirements were met in the last completed fiscal  
5           year, are to be met in the fiscal year in progress,  
6           and are proposed to be met in each of the next six  
7           fiscal years. The summary shall detail, for each  
8           fiscal year:

9           (A) Of the total bond fund requirements, the amount,  
10           by cost categories, requiring new bond issuance  
11           authorization and the kinds and amounts of bonds  
12           planned for issuance under such new  
13           authorizations;

14           (B) By bond categories, the total, cumulative balance  
15           of bonds authorized in prior years but unissued  
16           and the amount thereof proposed to be issued; and

17           (C) A recapitulation of the total bonds to be issued,  
18           including both new authorizations and prior  
19           authorizations, by bond categories;





1 (8) Separately for general fund tax revenues, special fund  
2 tax revenues, general fund nontax revenues, and  
3 special fund nontax revenues:

4 (A) By kinds of taxes or sources, the amount of  
5 revenue from existing, authorized taxes or  
6 sources at existing rates received in the last  
7 completed fiscal year and estimated to be  
8 received in the fiscal year in progress and in  
9 each of the next six fiscal years;

10 (B) A summary of the proposed changes in the existing  
11 taxes or sources or rates, and the estimated  
12 increases or reductions in revenues in each of  
13 the next six fiscal years resulting from such  
14 changes; and

15 (C) The total estimated revenues with and without the  
16 proposed changes in each of the next six fiscal  
17 years; [~~and~~]

18 (9) A summary of the State's total payments due under  
19 financing agreements required to carry out the  
20 recommended programs and the kinds of financing  
21 agreements and amounts thereof through which the



1 requirements were met in the last completed fiscal  
2 year, are to be met in the fiscal year in progress,  
3 and are proposed to be met in each of the next six  
4 fiscal years. The summary shall detail, for each  
5 fiscal year:

6 (A) Of the total financing agreement requirements,  
7 the amount, by cost categories, requiring new  
8 financing agreement authorizations and the kinds  
9 and amounts of financing agreements planned for  
10 execution and delivery under such new  
11 authorizations;

12 (B) By cost category, the cumulative balance of  
13 financing agreements authorized in prior years  
14 but not executed and delivered and the amount  
15 proposed to be executed and delivered; and

16 (C) A recapitulation of the total financing  
17 agreements to be executed and delivered,  
18 including both new authorizations and prior  
19 authorizations, by cost categories[~~-~~]; and

20 (10) The actual or estimated amounts of the items set forth  
21 in subparagraphs (A) to (D) shown separately for the



1        state government's pension liability and other post-  
2        employment benefit liability for the last completed  
3        fiscal year, the fiscal year in progress, and each of  
4        the six ensuing fiscal years:

5        (A) Unfunded actuarial accrued liability specified in  
6        the latest actuarial valuation report available  
7        in the pertinent fiscal year;

8        (B) Funded ratio specified in the latest actuarial  
9        valuation report available in the pertinent  
10       fiscal year;

11       (C) Funding period specified in the latest actuarial  
12       valuation report available in the pertinent  
13       fiscal year; and

14       (D) Annual required contribution for the pertinent  
15       fiscal year and the proportion of the annual  
16       required contribution budgeted to be paid in that  
17       fiscal year."

18       SECTION 4. Section 37-71, Hawaii Revised Statutes, is  
19       amended by amending subsection (d) to read as follows:

20       "(d) The summaries of the state receipts and revenues  
21       shall more specifically include:



(1) Financial summaries displaying the State's financial condition, to-wit:

(A) A display of the proposed, total state expenditures, by cost categories, the total state resources anticipated from existing taxes and nontax sources at existing rates, by resource categories (including the available fund balances or deficits and anticipated bond receipts), and the fund balance or deficit resulting therefrom for the biennium in progress, for the ensuing biennium, and for each of the two fiscal years of the ensuing biennium; and

(B) The changes proposed to the existing tax and nontax rates, sources, or structure, and the estimated cumulative increases or reductions, and the estimated fund balance or deficit in the ensuing biennium and in each of the two fiscal years of the biennium as a result of such proposed changes. Proposals for changes in the existing tax and nontax rates, sources, or structure shall be made in every case where the



1           proposed, total state expenditures exceed the  
2           total state resources anticipated from existing  
3           tax and nontax sources at existing rates.

4           Such financial summaries shall be prepared for the  
5           total state expenditures and resources and for the  
6           general fund and special fund portions thereof;

7           (2) A summary of the balances of each special fund, actual  
8           for the last completed fiscal year and estimated for  
9           the fiscal year in progress and for each of the two  
10          fiscal years in the ensuing biennium;

11          (3) A summary of the State's total bond fund required to  
12          carry out the recommended programs and the kinds of  
13          bonds and amounts thereof through which such  
14          requirements are to be met in the biennium in progress  
15          and in each of the two fiscal years in the ensuing  
16          biennium. The summary shall detail for the biennium  
17          in progress and for each of the two years of the  
18          ensuing biennium:

19          (A) Of the total requirements, the amount, by cost  
20          categories, requiring new bond issuance  
21          authorization and the kinds and amounts of bonds



planned for issuance under such new  
authorization;

(B) By bond categories, the total, cumulative balance  
of bonds authorized in prior years but unissued  
and the amount thereof planned to be issued; and

(C) A recapitulation of the total bonds, both new  
authorizations and prior authorizations, by bond  
categories, proposed to be issued;

(4) A tentative schedule by quarter and fiscal year of the  
amount of general obligation bonds and the amount of  
revenue bonds proposed to be issued in the ensuing  
fiscal biennium;

(5) A schedule of projected debt service charges for  
general obligation bonds outstanding at the time of  
the submission of the budget and to be issued by the  
close of the budget biennium in progress and the close  
of the ensuing budget biennium. The projection shall  
be separately stated for:

(A) Bonds currently outstanding;



1 (B) Bonds to be issued during the remainder of the  
2 fiscal biennium in progress and during the  
3 ensuing fiscal biennium; and

4 (C) The total bonds currently outstanding and to be  
5 issued.

6 In each case, the projection shall be categorized into  
7 debt service to be paid directly from the general  
8 fund, debt service to be paid through reimbursements,  
9 and total debt service. The projection shall extend  
10 at least five years beyond the close of the ensuing  
11 fiscal biennium. An explanation shall be appended to  
12 the schedule, which shall include among other things,  
13 the amount of bonds to be issued during the fiscal  
14 year in progress and in each of the two fiscal years  
15 of the ensuing biennium, the maturities of the bonds  
16 to be issued, the method of retirement, and the  
17 interest rate assumed in the projection;

18 (6) A schedule of the current state funded debt, legal  
19 debt limit, and the legal debt margin, including the  
20 details thereof. In any budget which proposes  
21 appropriations for which the source of funding is



1           general obligation bonds, the schedule shall include a  
2           declaration by the director of finance and  
3           computations showing that the total amount of  
4           principal and interest, estimated for such proposed  
5           appropriations and for all bonds authorized and  
6           unissued and calculated for all bonds issued and  
7           outstanding, will not cause the debt limit to be  
8           exceeded at the time of issuance;

9       (7) Separately for general fund tax revenues, special fund  
10       tax revenues, general fund nontax revenues, and  
11       special fund nontax revenues:

12       (A) By kinds of taxes or sources, the amount of  
13       revenue from existing, authorized taxes or  
14       sources at existing rates received in the last  
15       completed fiscal year and estimated to be  
16       received in the fiscal year in progress and in  
17       each of the two fiscal years in the ensuing  
18       biennium, with appropriate totals for the two  
19       bienniums;

20       (B) A summary of the proposed changes in the existing  
21       taxes or sources or rates, and the estimated





1 increases or reductions in revenues in each of  
2 the two years in the ensuing fiscal biennium  
3 resulting from such changes; and

4 (C) The total estimated revenues with and without the  
5 proposed changes; [~~and~~]

6 (8) A summary of the State's total payments due under  
7 financing agreements required to carry out the  
8 recommended programs and the kinds of financing  
9 agreements and amounts thereof through which [~~such~~]  
10 those requirements are to be met in the biennium in  
11 progress and in each of the two fiscal years in the  
12 ensuing biennium. The summary shall detail for the  
13 biennium in progress and for each of the two years of  
14 the ensuing biennium:

15 (A) Of the total financing agreement requirements,  
16 the amount, by cost categories, requiring new  
17 financing agreement authorizations and the kinds  
18 and amounts of financing agreements planned for  
19 execution and delivery under [~~such~~] the new  
20 authorizations;



1 (B) By cost category, the cumulative balance of  
2 financing agreements authorized in prior years  
3 but not executed and delivered and the amount  
4 thereof proposed to be executed and delivered;  
5 and

6 (C) A recapitulation of the total financing  
7 agreements to be executed and delivered,  
8 including both new authorizations and prior  
9 authorizations, by cost categories~~[ ]~~; and

10 (9) The same information required under section  
11 37-69(c)(10) for the state government's pension and  
12 other post-employment benefits liabilities."

13 SECTION 5. Statutory material to be repealed is bracketed  
14 and stricken. New statutory material is underscored.

15 SECTION 6. This Act shall take effect on July 1, 2016, and  
16 shall apply to the six-year program and financial plan, budget,  
17



- 1 and supplemental budget submitted to the legislature, for the
- 2 regular session of 2017.
- 3

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# S.B. NO. 158

**Report Title:**

Budget Documents; Pension and OPEB Liabilities

**Description:**

Requires the six-year program and financial plan and budget to include information on pension and other post-employment benefit liabilities. Effective 07/01/16.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

